

## **Summary of Significant Assumptions** **For the Test Period**

The Test Period ending March 31, 2007 was developed by adjusting the Test Year amounts to annualize known and measurable changes and to properly reflect transactions as they would occur in a "normal" year for which the rates would be in effect.

### **Assumptions to Adjust Test Year**

#### **Rate Base**

The Rate Base for the Test Period was based primarily on the forecasted thirteen-month average balances. Actual balances for March 31, 2006 through December 31, 2006 and forecast of the month-end balances for January 31, 2007 through March 31, 2007 were used for the Test Period. The Deferred Income Tax and ITC were based on the average of the actual March 31, 2006 balances and forecasted March 31, 2007 balances. Investor supplied cash working capital was calculated using the lag days calculated for 2006 applied to the forecasted expenses for the Test Period. In addition, certain adjustments were made to Plant in Service and Accumulated Depreciation.

**Plant in Service** – All projects related to the Sussex County Expansion Area were eliminated from the Plant in Service balances. All projects classified as Construction Work in Progress at December 31, 2006 were expected to be complete by March 31, 2007 and were therefore closed to plant for the test period. The Delaware Division's 2007 Capital Budget was used to forecast retirements and construction work completed and closed to Plant in Service by March 31, 2007, the test period. Construction Work in Progress at March 31, 2007 is estimated to be zero.

**Accumulated Depreciation** – Test Period 13 month average accumulated depreciation balance was forecasted using the actual balances for the period March 31, 2006 to December 31, 2006, excluding any accumulated depreciation associated with the Sussex County Expansion Area. Depreciation expense for the period January through March 2007 was based on the forecasted Plant in Service balances (described above) and was added to the accumulated depreciation balances from the prior month to arrive at the forecasted month end balance.

#### **Net Operating Income**

**Sales Adjustment** – Test year heat sensitive firm sales levels were adjusted to reflect sales levels expected in a normal degree day year (based on a 10-year average) and were also adjusted to reflect the number of customers projected to be on the distribution system at the end of the test period. Interruptible sales levels for Propane Parity Service, No. 2 Fuel Oil Parity Service, and No. 6 Fuel Oil Parity Service were adjusted

on an individual customer basis using historical sales levels. The Company is also proposing a minimum usage for its interruptible customer rate schedule of 100,000 Ccf annually, therefore all interruptible customers using less than 100,000 Ccf annually were moved to firm rate schedules. Off-system sales revenues were eliminated from the Test Period as the Company no longer intends to offer this service.

**Payroll Adjustment** – Payroll Expense was annualized utilizing the projected staffing level and pay rates effective March 31, 2007.

**Benefits Adjustment** – Benefits expense adjustment includes the annualized expense of health, dental, and prescription claims and administration fees at the projected March 31, 2007 expense level and the March 2007 staffing level. Current rates and adjusted payroll were used to annualize life, long-term disability and accidental death and dismemberment insurance and 401(k) expenses. OPRB and 401(k) forfeitures were annualized at the March 2007 level.

**Vehicle Depreciation Adjustment** – Vehicle Depreciation was annualized utilizing the forecasted plant in-service at March 31, 2007 and the depreciation rates resulting from the depreciation study conducted by and described in the testimony of Paul M. Normand, Management Application Consulting, Inc.

**Property Insurance and Injuries and Damages** – Insurance expense was annualized based on the most current policy premiums.

**Bad Debts** – The test period expense was calculated using a five year average of bad debt write-offs as a percentage of firm revenue times the test period firm revenue.

**Settlement Percentages** – Department settlement percentages were adjusted to reflect the current settlement methodology and organizational structure.

**Merchant Fee Adjustment** – Merchant fees were removed from the test period.

**Facilities Adjustment** – This adjustment includes an additional rent expense based on a recent appraisal of the property used by distribution operations and for expanding into additional office space

**Regulatory Commission Expense** – Regulatory Commission Expense was normalized based upon a five year history, plus the five year amortization of the estimated cost of the current rate case. The Company also included expenses related to other regulatory proceedings where the costs were deferred until this base rate proceeding. These costs were amortized over a three-year period.

**Taxes Other Than Income** – Payroll Related Taxes were adjusted for the change in payroll dollars. Property Taxes were adjusted by annualizing the most current property tax invoices in addition to an estimated increase related to additional plant in service.

Revenue Related Taxes were adjusted to annualize the current statutory rate and apply to forecasted revenues.

Depreciation – Annual depreciation expense was calculated based on projected Plant in Service at March 31, 2007 using depreciation rates resulting from the depreciation study conducted by and described in the testimony of Paul M. Normand, Management Application Consulting, Inc. The Company is not proposing any change in the amortization rate of the Miscellaneous Intangible Assets.

Interest Synchronization – Income tax expense was adjusted to reflect ratemaking interest expense inherent in the capital structure and cost of capital.

#### Rate of Return

The proposed Rate of Return on common equity is 11.50%.

### **Summary of Significant Accounting Policies**

The schedules for the Test Year ended December 31, 2006 have been prepared in accordance with generally accepted accounting principles.

The schedules for the Test Period ending March 31, 2007 have been prepared on the basis of those same generally accepted accounting principles and in accordance with those accounting policies prescribed by the regulatory commissions having jurisdiction with respect to accounting matters.

There have been no additional Statements of Financial Accounting Standards ("SFAS") issued by the Financial Accounting Standards Board since the last rate case (PSC Docket No. 01-307) that affect the test period schedules.

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**Schedule A**  
**DEFINITIONS**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part A, Paragraph B.1 and B.2**

In all of the following schedules the following definitions are applicable:

Test Year: **Twelve Months Ended December 31, 2006**  
Test Period: **Twelve Months Ending March 31, 2007**  
**including annualization adjustments**

Schedule B  
DATA PREVIOUSLY FILED OR NOT APPLICABLE

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part A, Paragraph F.5**

<u>Line No.</u>	<u>Paragraph Designation</u>	<u>Description</u>
1	Part II, Paragraph B.2.a.b.d.e.	Gas Supply Plan 2006
2	Part III, Paragraph B.1	Supporting Documents
3		a. Annual Reports
4		b. FERC Reports
5		c. SEC 10-K Reports
6		d. Proxy Statements
7		e. Prospectus
8	Part VI, Paragraph C	Preferred Stock Calculations -- Not Applicable
9		
10		

Schedule C  
ELEMENTS OF RATE INCREASE

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part II, Paragraph A.4 and A.5**

**Elements of Proposed Increase:**

	<u>Amount (000's)</u>
Increase in return requirement for gas utility investments	\$630
Increase due to decline in customer fixed margin contribution - Residential	405
Increase due to decline in customer fixed margin contribution - Firm C & I	560
Increase in taxes and fees	170
Other	131
Grand Total	<u><u>\$1,896</u></u>



**Schedule D**  
**AMOUNT OF GAS - MCF SUPPLIED BY SUPPLIER**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**

Docket No.: **07-**

Witness: **J. Clausius**

Reference: **Part II, Paragraph B.2.c**

Line No.	Month	Year	Sequent	Tenaska	South Jersey Resources	Eastern Shore Natural Gas Co	Net Storage (Inj.) and W/d	Imbalance & Transportation Deliveries	Other	Total MCF Supplied
1	January	2006	468,757	1,911	0	(4,845)	92,431	32,862	3	591,119
2	February	2006	454,297	0	0	(1,077)	117,620	30,064	(28)	600,876
3	March	2006	381,480	5,095	0	217	65,420	35,933	(22)	488,123
4	April	2006	215,479	0	0	609	13,559	30,970	12	260,629
5	May	2006	163,678	0	0	13,803	(12,939)	19,121	10	183,673
6	June	2006	143,713	0	0	2,350	(14,068)	20,298	(10)	152,283
7	July	2006	123,897	0	0	2,893	(7,151)	22,377	(1)	142,015
8	August	2006	128,176	0	0	0	(9,223)	22,324	1	141,278
9	September	2006	145,922	0	0	(332)	(1,245)	34,238	0	178,583
10	October	2006	232,134	0	0	(1,797)	11,318	32,226	(1)	273,880
11	November	2006	244,313	0	0	(5,249)	64,800	55,422	1	359,287
12	December	2006	345,676	0	26,075	(3,596)	100,948	68,968	0	538,071
13	Total		<u>3,047,522</u>	<u>7,006</u>	<u>26,075</u>	<u>2,976</u>	<u>421,470</u>	<u>404,803</u>	<u>(35)</u>	<u>3,909,817</u>

**Schedule E**  
**COMPARISON OF PRESENT AND PROPOSED REVENUES FOR TEST PERIOD**

Delaware Public Service Commission

Company: Chesapeake Utilities Corporation  
Docket No.: 07-  
Witness: J. Clausius  
Reference: Part II, Paragraph C.1

Line No.	Description	(1) Present Revenues	(2) Proposed Interim Revenues	Difference	Percentage
1	Rate Schedule "RS"	\$38,849,875	\$40,253,660	\$1,403,785	3.61%
2	Rate Schedule "GS"	\$4,486,292	\$4,640,455	\$154,163	3.44%
3	Rate Schedule "MVS"	\$3,354,142	\$3,429,152	\$75,010	2.24%
4	Rate Schedule "LVS"	\$4,950,449	\$5,098,545	\$148,096	2.99%
5	Rate Schedule "HLFS"	\$6,095,172	\$6,209,166	\$113,994	1.87%
6	Rate Schedule "NGV"	\$2,473	\$2,473	\$0	0.00%
7	Rate Schedule "GCR"	\$0	\$0	\$0	0.00%
8	Rate Schedule "GLR"	\$3,519	\$3,699	\$180	5.12%
9	Rate Schedule "NCR"	\$29,586	\$29,649	\$63	0.21%
10	Rate Schedule "IS"	\$574,853	\$574,853	\$0	0.00%
11	Rate Schedule "SFS"	\$43,023	\$43,541	\$518	1.20%
12	Subtotal Revenue	<u>\$58,389,384</u>	<u>\$60,285,193</u>	<u>\$1,895,809</u>	<u>3.25%</u>
13	Off System Sales Revenue	\$0	\$0	\$0	0.00%
14	Other Revenue	\$6,438	\$6,438	\$0	0.00%
16	Total Operating Revenue	<u>\$58,395,822</u>	<u>\$60,291,631</u>	<u>\$1,895,809</u>	<u>3.25%</u>

1/ At Current Rates

2/ Proposed Revenues are based on the proposed interim rates which are designed on the \$1,895,668 increase.

**Schedule E**  
**COMPARISON OF PRESENT AND PROPOSED REVENUES FOR TEST PERIOD**

Delaware Public Service Commission

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part II, Paragraph C.1**

Line No.	Description	(1) Present Revenues	(2) Full Proposed Revenues	Difference	Percentage
1	Rate Schedule "RS-1"	\$2,752,686	\$2,928,029	\$175,343	6.37%
2	Rate Schedule "RS-2"	\$30,936,013	\$31,870,955	\$934,942	3.02%
3	Rate Schedule "RS-3"	\$5,161,176	\$5,253,076	\$91,900	1.78%
4	Rate Schedule "GS-1"	\$283,194	\$308,047	\$24,853	8.78%
5	Rate Schedule "FTS-1"	\$2,755	\$3,537	\$782	28.38%
6	Rate Schedule "GS-2"	\$1,553,837	\$1,628,841	\$75,004	4.83%
7	Rate Schedule "FTS-2"	\$5,803	\$7,285	\$1,482	25.54%
8	Rate Schedule "GS-3"	\$1,848,018	\$1,906,347	\$58,329	3.16%
9	Rate Schedule "FTS-3"	\$18,826	\$23,662	\$4,836	25.69%
10	Rate Schedule "GS-4"	\$5,266,253	\$5,331,089	\$64,836	1.23%
11	Rate Schedule "FTS-4"	\$91,709	\$106,495	\$14,786	16.12%
12	Rate Schedule "GS-5"	\$4,142,149	\$4,165,589	\$23,440	0.57%
13	Rate Schedule "FTS-5"	\$180,797	\$181,497	\$700	0.39%
14	Rate Schedule "GS-6"	\$4,631,093	\$4,680,293	\$49,200	1.06%
15	Rate Schedule "FTS-6"	\$179,254	\$225,583	\$46,329	25.85%
16	Rate Schedule "GS-7"	\$0	\$0	\$0	0.00%
17	Rate Schedule "FTS-7"	\$725,390	\$795,831	\$70,441	9.71%
18	Rate Schedule "NGV"	\$2,473	\$2,473	\$0	0.00%
19	Rate Schedule "GLR"	\$3,519	\$3,652	\$133	3.78%
20	Rate Schedule "NCR"	\$29,586	\$35,413	\$5,827	19.70%
21	Rate Schedule "ITS"	\$574,853	\$574,869	\$16	0.00%
22	Rate Schedule "SAS"	\$0	\$7,680	\$7,680	N/A
23	Rate Schedule "SABS"	\$0	\$16,680	\$16,680	N/A
24	Subtotal Revenue	<u>\$58,389,384</u>	<u>\$60,056,923</u>	<u>\$1,667,539</u>	<u>2.86%</u>
25	Off System Sales Revenue	\$0	\$0	\$0	0.00%
26	Other Revenue	\$6,438	\$6,438	\$0	0.00%
27	Miscellaneous Fees	\$0	\$228,129	\$228,129	N/A
28	Total Operating Revenue	<u>\$58,395,822</u>	<u>\$60,291,490</u>	<u>\$1,895,668</u>	<u>3.25%</u>

1/ At Current Rates

2/ Proposed Revenues are based on the full proposed rates which are designed on the \$1,895,668 increase.

**Schedule No. 1**  
**OVERALL FINANCIAL SUMMARY**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part III, Paragraph A.1**

Line No.	Description	Test Year Twelve Months Ended December 31, 2006		Test Period Twelve Months Ending March 31, 2007	
		Ref Sched	Amount \$	Ref Sched	Amount \$
1	Rate Base	2	\$42,697,229	2	\$43,419,770
2	Net Operating Income	3	\$3,124,793	3	\$3,084,375
3	Earned Rate of Return (L2 / L1)		7.32%		7.10%
4	Proposed Fair Rate of Return	4	9.68%	4	9.68%
5	Required Operating Income (L1 x L4)		\$4,133,092		\$4,203,033
6	Operating Income Deficiency (L5 - L2)		\$1,008,299		\$1,118,658
7	Gross Revenue Conversion Factor	5	1.69459	5	1.69459
8	Revenue Deficiency		\$1,708,653		\$1,895,668
9	Revenue Increase Requested		2.20%		3.25%

**Schedule No. 2**  
**JURISDICTIONAL RATE BASE SUMMARY**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **K. McVay**  
Reference: **Part IV, Paragraph B.1 and B.2**

Line No.	Description	26 Del. C. S 102 (3) Letter Ref.	Test Year Twelve Months Ended December 31, 2006	Utility Proposed Test Period Twelve Months Ending March 31, 2007	
				Ref Sched	Amount \$
1	Gas Plant In Service	a	\$63,620,840	2-A	\$66,000,784
2	Intangible Assets	a	1,256,902	2-B	1,256,902
3	Less: Accumulated Depreciation	b	23,518,625	2-C	24,085,625
4	Net Plant		<u>\$41,359,117</u>		<u>\$43,172,061</u>
5	Less: Accumulated Deferred Income Taxes	d	\$4,514,257	2-D	\$4,579,079
6	Customer Deposits	g	710,345	2-F	752,508
7	Customer Advances for Construction	c	46,784	2-C-1	32,929
8	Unamortized Investment Tax Credit	d	80,711	2-D	76,694
9	Plus: Material and Supplies	f	5,621,761	2-E-1	5,036,981
10	Investor Supplied Cash Working Capital	f	573,985	2-E-2	651,938
11	Construction Work-in-Process		494,463	2-A	0
12	Total Claimed Rate Base		<u><u>\$42,697,229</u></u>		<u><u>\$43,419,770</u></u>

**Schedule No. 2-A**  
**USED AND USEFUL UTILITY PLANT**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**

Case No.: **07-**

Witness: **K. McVay**

Reference: **Part IV, Paragraph C.1**

	Test Year		
	Utility Plant in Service	CWIP	Total Plant
December - 2005	60,627,258	52,024	60,679,282
January - 2006	60,818,785	63,729	60,882,514
February	61,312,533	331,018	61,643,551
March	61,922,597	226,782	62,149,379
April	62,349,952	437,928	62,787,880
May	62,982,145	517,683	63,499,828
June	63,276,964	845,506	64,122,470
July	63,829,575	903,802	64,733,377
August	64,734,276	626,409	65,360,685
September	65,379,095	700,914	66,080,009
October	65,883,840	718,308	66,602,148
November	66,517,513	670,495	67,188,008
December - 2006	67,436,385	333,424	67,769,809

13 Month Average	<u>\$63,620,840</u>	<u>\$494,463</u>	<u>\$64,115,303</u>
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	Test Period		
	Utility Plant in Service	CWIP	Total Plant
March - 2006	61,922,597	226,782	62,149,379
April	62,349,952	437,928	62,787,880
May	62,982,145	517,683	63,499,828
June	63,276,964	845,506	64,122,470
July	63,829,575	903,802	64,733,377
August	64,734,276	626,409	65,360,685
September	65,379,095	700,914	66,080,009
October	65,883,840	718,308	66,602,148
November	66,517,513	670,495	67,188,008
December - 2006	67,436,385	333,424	67,769,809
January	67,917,543	333,424	68,250,967
February	68,543,492	333,424	68,876,916
March - 2007	70,588,726	0	70,588,726

13 Month Average	<u>\$65,489,393</u>	<u>\$511,392</u>	<u>\$66,000,784</u>
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**Schedule No. 2-B**  
**INTANGIBLE ASSETS CLAIMED IN RATE BASE**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **K. McVay**  
Reference: **Part IV, Paragraph D.1 and D.2**

<u>Actuals</u> <u>Intangibles</u>	<u>Test</u> <u>Year</u>
December - 2005	1,256,902
January - 2006	1,256,902
February	1,256,902
March	1,256,902
April	1,256,902
May	1,256,902
June	1,256,902
July	1,256,902
August	1,256,902
September	1,256,902
October	1,256,902
November	1,256,902
December - 2006	1,256,902
13 Month Average	<u><u>\$1,256,902</u></u>
<u>Forecasted Intangibles</u>	<u>Test Period</u>
March - 2006	1,256,902
April	1,256,902
May	1,256,902
June	1,256,902
July	1,256,902
August	1,256,902
September	1,256,902
October	1,256,902
November	1,256,902
December - 2006	1,256,902
January	1,256,902
February	1,256,902
March - 2007	1,256,902
13 Month Average	<u><u>\$1,256,902</u></u>

**Schedule No. 2-C**  
**ACCUMULATED DEPRECIATION**

**Delaware Public Service Commission**

**Company: Chesapeake Utilities Corporation**

**Case No.: 07-**

**Witness: K. McVay**

**Reference: Part IV, Paragraph E.1**

<u>Actuals</u>	<u>Test Year</u>
December - 2005	(22,529,882)
January - 2006	(22,709,224)
February	(22,916,075)
March	(22,847,318)
April	(23,063,883)
May	(23,266,809)
June	(23,450,237)
July	(23,609,623)
August	(23,822,681)
September	(24,066,911)
October	(24,292,000)
November	(24,474,777)
December - 2006	(24,692,702)
13 Month Average	<u>(\$23,518,625)</u>

<u>Test Period</u>	<u>Utility Plant in Service</u>
March - 2006	(22,847,318)
April	(23,063,883)
May	(23,266,809)
June	(23,450,237)
July	(23,609,623)
August	(23,822,681)
September	(24,066,911)
October	(24,292,000)
November	(24,474,777)
December - 2006	(24,692,702)
January	(24,932,329)
February	(25,174,008)
March - 2007	(25,419,847)
13 Month Average	<u>(\$24,085,625)</u>



**Schedule No. 2-C-1**  
**CUSTOMER ADVANCES**

**Delaware Public Service Commission**

Company: Chesapeake Utilities Corporation  
Docket No.: 07-  
Witness: K. McVay  
Reference: Part IV, Paragraph F.1

Test Year		Test Year Ended December 31, 2006
December	2005	60,639
January		60,639
February		60,639
March		60,639
April		60,639
May		60,639
June		60,639
July		60,639
August		60,639
September		60,639
October		600
November		600
December	2006	600
13 Month Average		<u>46,784</u>

Test Period		Test Period Ended March 31, 2007
March	2006	60,639
April		60,639
May		60,639
June		60,639
July		60,639
August		60,639
September		60,639
October		600
November		600
December		600
January	2007	600
February		600
March		600
13 Month Average		<u>32,929</u>

**Schedule No. 2-D**  
**ACCUMULATED DEFERRED INCOME TAXES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part IV, Paragraph G.1**

Line No.	Description of Deferral	Balance Begin. of Test Year December 31, 2005	Balance Test Year End December 31, 2006	Test Year Average Balance
1	Accelerated Tax Depreciation	(\$5,035,739)	(\$5,204,216)	(\$5,119,978)
2	Unrecovered Purchase Gas Costs	n/a	n/a	n/a
3	Bad Debts	\$103,429	73,552	\$88,491
4	Capitalized Interest, Overhead & AFUDC	\$174,228	189,148	\$181,688
5	Environmental Costs	n/a	n/a	n/a
6	Pension	\$68,426	68,426	\$68,426
7	Other Post Retirement Benefits	\$82,552	88,045	\$85,299
8	Real Property Taxes	(\$112,399)	(132,318)	(\$122,359)
9	Self-Insurance	\$255,364	211,076	\$233,220
10	Rate Case Expense	(\$23,671)	(6,983)	(\$15,327)
11	Regulatory Asset	\$86,283	86,283	\$86,283
12	Total	<u>(\$4,401,527)</u>	<u>(\$4,626,987)</u>	<u>(\$4,514,257)</u>
13	Unamortized Investment Tax Credits	<u>(\$88,745)</u>	<u>(\$72,677)</u>	<u>(\$80,711)</u>

Schedule No. 2-Da  
ACCUMULATED DEFERRED INCOME TAXES

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part IV, Paragraph G.1**

Line No.	Description of Deferral	Balance Begin. of Test Period March 31, 2006	Balance Test Period Ending March 31, 2007	Test Period Average Balance
1	Accelerated Tax Depreciation	(\$5,093,081)	(\$5,260,216)	(\$5,176,649)
2	Unrecovered Purchase Gas Costs	n/a	n/a	n/a
3	Bad Debts	\$82,337	85,158	\$83,748
4	Capitalized Interest, Overhead & AFUDC	\$174,423	188,953	\$181,688
5	Environmental Costs	n/a	n/a	n/a
6	Pension	\$68,426	68,426	\$68,426
7	Other Post Retirement Benefits	\$85,376	88,045	\$86,711
8	Real Property Taxes	(\$48,284)	(53,582)	(\$50,933)
9	Self-Insurance	\$238,221	216,493	\$227,357
10	Rate Case Expense	(\$15,781)	(155,637)	(\$85,709)
11	Regulatory Asset	\$86,283	86,283	\$86,283
12	Total	<u>(\$4,422,080)</u>	<u>(\$4,736,077)</u>	<u>(\$4,579,079)</u>
13	Unamortized Investment Tax Credits	<u>(\$84,728)</u>	<u>(\$68,660)</u>	<u>(\$76,694)</u>

**Schedule No. 2-E**  
**SUMMARY OF MATERIALS AND SUPPLIES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **K. McVay**  
Reference: **Part IV, Paragraph I.1**

Line No.	Working Capital Component	Thirteen Month Average Amounts	
		Test Year End December 31, 2006	Test Period Ending March 31, 2007
1	Natural Gas in Storage	\$5,027,329	\$4,445,661
2	Propane in Storage	\$316,175	\$307,334
3	Plant Materials and Operating Supplies	\$278,257	\$283,986
4	Total Material and Supplies	<u>\$5,621,761</u>	<u>\$5,036,981</u>

**Schedule No. 2-E-1**  
**MATERIALS AND SUPPLIES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **K. McVay**  
Reference: **Part IV, Paragraph I.1**

<u>Test Year</u>	<u>Total Materials and Supplies</u>	<u>Natural Gas in Storage</u>	<u>Propane in Storage</u>	<u>Plant Materials and Supplies</u>
December 2005	\$6,632,153	\$6,063,900	\$315,866	\$252,387
January	5,794,054	5,138,486	315,866	339,702
February	4,437,897	3,917,113	315,866	204,918
March	3,751,382	3,158,491	315,866	277,025
April	4,018,044	3,470,577	315,866	231,601
May	4,693,761	4,148,187	315,866	229,708
June	5,231,402	4,702,871	315,866	212,665
July	5,716,646	5,194,881	315,866	205,899
August	6,331,494	5,800,654	315,866	214,974
September	6,894,404	6,289,047	315,866	289,491
October	7,108,799	6,501,824	315,866	291,109
November	6,660,603	5,908,063	315,866	436,674
December 2006	5,812,257	5,061,187	319,881	431,189
13 Month Average	<u>\$5,621,761</u>	<u>\$5,027,329</u>	<u>\$316,175</u>	<u>\$278,257</u>

**Schedule No. 2-E-1a**  
**MATERIALS AND SUPPLIES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **K. McVay**  
Reference: **Part IV, Paragraph I.1**

<u>Test Period</u>	<u>Total Materials and Supplies</u>	<u>Natural Gas in Storage</u>	<u>Propane in Storage</u>	<u>Plant Materials and Supplies</u>
March 2006	\$3,751,382	\$3,158,491	\$315,866	\$277,025
April	4,018,044	\$3,470,577	315,866	231,601
May	4,693,760	\$4,148,187	315,866	229,708
June	5,231,402	\$4,702,871	315,866	212,665
July	5,716,646	\$5,194,881	315,866	205,899
August	6,331,494	\$5,800,654	315,866	214,974
September	6,894,404	\$6,289,047	315,866	289,491
October	7,108,799	\$6,501,824	315,866	291,109
November	6,660,602	\$5,908,063	315,866	436,674
December	5,812,257	\$5,061,187	319,881	431,189
January 2007	4,553,358	\$3,918,515	319,881	314,962
February	3,017,171	\$2,482,523	256,392	278,257
March	1,691,428	\$1,156,779	256,392	278,257
13 Month Average	<u>\$5,036,981</u>	<u>\$4,445,661</u>	<u>\$307,334</u>	<u>\$283,986</u>

**Schedule No. 2-E-2**  
**INVESTOR SUPPLIED CASH WORKING CAPITAL**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **K. McVay**  
Reference: **Part IV, Paragraph J.1 and J.2**

Line No.	Working Capital Component - Test Year	Cash Disbursements Test Year	Lag Days	Dollar Days	Weighted Net Lag Days
1	<b>Total Revenue Collection Lag</b>				35.47
	<b>Cash Disbursements for Operating Expenses Lag:</b>				
2	Weekly Payroll	1,414,713	10.50	14,854,487	
3	Bi-Weekly Payroll	1,094,538	7.00	7,661,766	
4	Semi-Monthly Payroll	474,650	7.60	3,607,340	
5	Other Operations & Maintenance Costs - DNG	2,421,244	20.14	48,763,854	
6	Other Operations & Maintenance Costs - Corporate	871,829	10.15	8,849,064	
7	Taxes Other than Income	1,133,721	-26.80	(30,383,723)	
8		\$7,410,695		\$53,352,788	7.20
9	<b>Weighted Net Lag Days</b>				28.27
10	Average Daily Cash Disbursement				\$20,303
11	<b>Cash Working Capital Requirement</b>				<u>\$573,985</u>

**Schedule No. 2-E-2**  
**INVESTOR SUPPLIED CASH WORKING CAPITAL**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **K. McVay**  
Reference: **Part IV, Paragraph J.1 and J.2**

Line No.	Working Capital Component - Test Period	Cash Disbursements Test Period	Lag Days	Dollar Days	Weighted Net Lag Days
					35.47
1	<b>Total Revenue Collection Lag</b>				
	<b>Cash Disbursements for Operating Expenses Lag:</b>				
2	Weekly Payroll	1,491,815	10.50	15,664,058	
3	Bi-Weekly Payroll	1,154,190	7.00	8,079,330	
4	Semi-Monthly Payroll	500,519	7.60	3,803,944	
5	Other Operations & Maintenance Costs - DNG	3,153,611	20.14	63,513,726	
6	Other Operations & Maintenance Costs - Corporate	850,075	10.15	8,628,261	
7	Taxes Other than Income	1,349,426	-26.80	(36,164,617)	
8		\$8,499,636		\$63,524,702	7.47
9	<b>Weighted Net Lag Days</b>				28.00
10	Average Daily Cash Disbursement				\$23,287
11	<b>Cash Working Capital Requirement</b>				\$651,938



**Schedule No. 2-F**  
**OTHER ELEMENTS OF RATE BASE**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **K. McVay**  
Reference: **Part IV, Paragraph K.1**

<u>Test Year</u>	<u>Customer Deposits</u>	<u>Abandoned Property Liability</u>	<u>Total Other Elements of Rate Base</u>
December 2005	\$628,179	\$26,544	\$654,723
January	637,320	26,544	663,863
February	650,493	22,460	672,953
March	668,335	23,434	691,769
April	665,480	24,416	689,895
May	653,967	24,722	678,689
June	659,877	26,638	686,516
July	667,233	26,532	693,764
August	683,778	26,532	710,310
September	704,260	26,501	730,761
October	746,424	26,610	773,034
November	746,453	28,580	775,033
December 2006	784,435	28,743	813,179
13 Month Average	<u>\$684,326</u>	<u>\$26,020</u>	<u>\$710,345</u>

**Schedule No. 2-F-1**  
**OTHER ELEMENTS OF RATE BASE**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **K. McVay**  
Reference: **Part IV, Paragraph K.1**

<u>Test Period</u>		<u>Customer Deposits</u>	<u>Abandoned Property Liability</u>	<u>Total Other Elements of Rate Base</u>
March	2006	\$668,335	\$23,434	\$691,769
April		665,477	24,416	689,892
May		653,967	24,722	678,689
June		659,877	26,638	686,516
July		667,233	26,532	693,764
August		683,778	26,532	710,310
September		704,260	26,501	730,761
October		746,424	26,610	773,034
November		746,453	28,580	775,033
December		784,435	28,743	813,179
January	2007	800,697	28,942	829,639
February		817,295	29,142	846,437
March		834,237	29,343	863,581
13 Month Average		<u>\$725,575</u>	<u>\$26,933</u>	<u>\$752,508</u>

**Schedule No. 3**  
**NET OPERATING INCOME SUMMARY**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part V, Paragraph A.1**

Line No.	Description	Test Year Ended December 31, 2006		Test Period Ending March 31, 2007 (at current rates)	
		Ref Sched	Amount \$	Ref Sched	Amount \$
1	Operating Revenues	3-A	\$77,646,963	3-A	\$58,395,822
2	Operating Expenses	3-B	72,035,257	3-B	52,554,100
3	Interest on Customer Deposits		38,851		38,851
4	Taxes Other Than Income	3-I	1,133,721	3-I	1,349,426
5	Net Operating Income		<u>\$4,439,134</u>		<u>\$4,453,445</u>
6	Total Operating Taxes	3-I	\$1,314,341	3-I	\$1,369,070
7	Net Operating Income		<u>\$3,124,793</u>		<u>\$3,084,375</u>
8	AFUDC		\$0		\$0
9	Net Income Available for Return		<u><u>\$3,124,793</u></u>		<u><u>\$3,084,375</u></u>

**Schedule No. 3-A**  
**OPERATING REVENUES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part V, Paragraph B.1**

Line No.	Description	Test Year Ended December 31, 2006	Test Period Ending March 31, 2007
1	Rate Schedule "RS" - Residential Service	\$34,817,203	\$38,849,875
2	Rate Schedule "GS" - General Service	4,073,820	4,486,292
3	Rate Schedule "MVS" - Medium Volume Service	3,290,501	3,354,142
4	Rate Schedule "LVS" - Large Volume Service	7,393,565	4,950,449
5	Rate Schedule "HLFS" - High Load Factor Service	7,765,231	6,095,172
6	Rate Schedule "NGV" - Natural Gas Vehicles	2,473	2,473
7	Rate Schedule "GCR" - Gas Cooling Residential	0	0
8	Rate Schedule "GLR" - Gas Lighting Residential	3,519	3,519
9	Rate Schedule "NCR" - Negotiated Contract Rate	28,267	29,586
10	Rate Schedule "IS" - Interruptible Service	5,876,326	574,853
11	Rate Schedule "SFS" - Seasonal Firm Service	37,241	43,023
12	Subtotal Revenue	<u>\$63,288,146</u>	<u>\$58,389,384</u>
13	Off System Sales Revenue	14,807,209	0
14	Other Revenue	(448,392)	6,438
15	Total Operating Revenues	<u>\$77,646,963</u>	<u>\$58,395,822</u>

**Schedule No. 3-A**  
**OPERATING REVENUES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part V, Paragraph B.1**

Line No.	Description	Test Year Ended December 31, 2006	Test Period Ending March 31, 2007
1	Rate Schedule "RS-1" - Residential Service - 1	\$2,403,984	\$2,752,686
2	Rate Schedule "RS-2" - Residential Service - 2	\$27,619,562	\$30,936,013
3	Rate Schedule "RS-3" - Residential Service - 3	\$4,793,657	\$5,161,176
4	Rate Schedule "GS-1" - General Service - 1	\$250,330	\$283,194
5	Rate Schedule "TS-1" - Transportation Service - 1	\$0	\$2,755
6	Rate Schedule "GS-2" - General Service - 2	\$1,374,129	\$1,553,837
7	Rate Schedule "TS-2" - Transportation Service - 2	\$0	\$5,803
8	Rate Schedule "GS-3" - General Service - 3	\$1,752,494	\$1,848,018
9	Rate Schedule "TS-3" - Transportation Service - 3	\$0	\$18,826
10	Rate Schedule "GS-4" - General Service - 4	\$5,145,957	\$5,266,253
11	Rate Schedule "TS-4" - Transportation Service - 4	\$0	\$91,709
12	Rate Schedule "GS-5" - General Service - 5	\$4,240,652	\$4,142,149
13	Rate Schedule "TS-5" - Transportation Service - 5	\$0	\$180,797
14	Rate Schedule "GS-6" - General Service - 6	\$3,980,518	\$4,631,093
15	Rate Schedule "TS-6" - Transportation Service - 6	\$103,249	\$179,254
16	Rate Schedule "GS-7" - General Service - 7	\$5,359,573	\$0
17	Rate Schedule "TS-7" - Transportation Service - 7	\$353,456	\$725,390
18	Rate Schedule "NGV" - Natural Gas Vehicles	2,473	2,473
19	Rate Schedule "GLR" - Gas Lighting Residential	3,519	3,519
20	Rate Schedule "NCR" - Negotiated Contract Rate	28,267	29,586
21	Rate Schedule "IS" - Interruptible Service	5,876,326	574,853
22	Subtotal Revenue	<u>\$63,288,146</u>	<u>\$58,389,384</u>
23	Off System Sales Revenue	14,807,209	0
24	Other Revenue	(448,392)	6,438
25	Total Operating Revenues	<u>\$77,646,963</u>	<u>\$58,395,822</u>

**Schedule No. 3-A-1**  
**SUMMARY OF ADJUSTMENTS TO TEST YEAR REVENUES**

**Delaware Public Service Commission**

Company: Chesapeake Utilities Corporation  
Docket No.: 07-  
Witness: J. Clausius  
Reference: Part V, Paragraph B.6

Line No.	Description	Test Year Ended December 31, 2006	Test Year Adjustments	Temperature Normalization	Customer Growth	Other Adjustments and Annualizations	Sub-total	Test Period Ending March 31, 2007
1	Rate Schedule "RS"	\$34,817,203	\$42,553	\$2,066,609	\$1,923,510	\$0	\$4,032,672	\$38,849,875
2	Rate Schedule "GS"	\$4,073,820	\$6,927	\$272,633	\$184,508	(\$51,596)	\$412,472	\$4,486,292
3	Rate Schedule "MVS"	\$3,290,501	\$9,530	\$219,008	(\$48,710)	(\$116,187)	\$63,641	\$3,354,142
4	Rate Schedule "LVS"	\$7,393,565	\$21,607	\$355,974	(\$316,672)	(\$2,504,025)	(\$2,443,116)	\$4,950,449
5	Rate Schedule "HLFS"	\$7,765,231	\$11,438	\$88,247	\$436,785	(\$2,206,529)	(\$1,670,059)	\$6,095,172
6	Rate Schedule "NGV"	\$2,473	\$0	\$0	\$0	\$0	\$0	\$2,473
7	Rate Schedule "GCR"	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Rate Schedule "GLR"	\$3,519	\$0	\$0	\$0	\$0	\$0	\$3,519
9	Rate Schedule "NCR"	\$28,267	\$0	\$1,319	\$0	\$0	\$1,319	\$29,586
10	Rate Schedule "IS"	\$5,876,326	(\$462,574)	(\$141,708)	\$240,392	(\$4,937,583)	(\$5,301,473)	\$574,853
11	Rate Schedule "SFS"	\$37,241	\$0	\$5,782	\$0	\$0	\$5,782	\$43,023
12	Subtotal Revenue	\$63,288,146	(\$370,519)	\$2,867,864	\$2,419,813	(\$9,815,920)	(\$4,898,762)	\$58,389,384
13	Off System Sales Revenue	\$14,807,209	\$40,048	\$0	\$0	(\$14,847,257)	(\$14,807,209)	\$0
14	Other Revenue	(\$448,392)	\$0	\$454,830	\$0	\$0	\$454,830	\$6,438
15	Total Operating Revenue	\$77,646,963	(\$330,471)	\$3,322,694	\$2,419,813	(\$24,663,177)	(\$19,251,141)	\$58,395,822

**Schedule No. 3-A-1**  
**SUMMARY OF ADJUSTMENTS TO TEST YEAR REVENUES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**

Docket No.: **07-**

Witness: **J. Clausius**

Reference: **Part V, Paragraph B.6**

Line No.	Description	Test Year Ended December 31, 2006	Test Year Adjustments	Temperature Normalization	Customer Growth	Other Adjustments and Annualizations	Sub-total	Test Period Ending March 31, 2007
1	Rate Schedule "RS-1"	\$2,403,984	\$3,679	\$178,698	\$166,325	\$0	\$348,702	\$2,752,686
2	Rate Schedule "RS-2"	\$27,619,562	\$34,995	\$1,699,570	\$1,581,886	\$0	\$3,316,451	\$30,936,013
3	Rate Schedule "RS-3"	\$4,793,657	\$3,879	\$188,341	\$175,299	\$0	\$367,519	\$5,161,176
4	Rate Schedule "GS-1"	\$250,330	\$425	\$16,752	\$11,336	\$4,351	\$32,864	\$283,194
5	Rate Schedule "FTS-1"	\$0	\$0	\$0	\$0	\$2,755	\$2,755	\$2,755
6	Rate Schedule "GS-2"	\$1,374,129	\$2,368	\$91,952	\$60,686	\$24,702	\$179,708	\$1,553,837
7	Rate Schedule "FTS-2"	\$0	\$0	\$0	\$0	\$5,803	\$5,803	\$5,803
8	Rate Schedule "GS-3"	\$1,752,494	\$3,161	\$115,425	\$70,241	(\$93,303)	\$95,524	\$1,848,018
9	Rate Schedule "FTS-3"	\$0	\$0	\$0	\$0	\$18,826	\$18,826	\$18,826
10	Rate Schedule "GS-4"	\$5,145,957	\$11,863	\$262,448	\$69,334	(\$223,349)	\$120,296	\$5,266,253
11	Rate Schedule "FTS-4"	\$0	\$0	\$0	\$0	\$91,709	\$91,709	\$91,709
12	Rate Schedule "GS-5"	\$4,240,652	\$9,679	\$144,746	\$16,921	(\$269,849)	(\$98,503)	\$4,142,149
13	Rate Schedule "FTS-5"	\$0	\$0	\$0	\$0	\$180,797	\$180,797	\$180,797
14	Rate Schedule "GS-6"	\$3,980,518	\$10,086	\$159,135	(\$70,569)	\$551,923	\$650,575	\$4,631,093
15	Rate Schedule "FTS-6"	\$103,249	\$274	\$4,257	(\$2,497)	\$73,971	\$76,005	\$179,254
16	Rate Schedule "GS-7"	\$5,359,573	\$10,786	\$134,290	\$103,802	(\$5,608,451)	(\$5,359,573)	\$0
17	Rate Schedule "FTS-7"	\$353,456	\$860	\$12,639	(\$3,343)	\$361,778	\$371,934	\$725,390
18	Rate Schedule "NGV"	\$2,473	\$0	\$0	\$0	\$0	\$0	\$2,473
19	Rate Schedule "GLR"	\$3,519	\$0	\$0	\$0	\$0	\$0	\$3,519
20	Rate Schedule "NCR"	\$28,267	\$0	\$1,319	\$0	\$0	\$1,319	\$29,586
21	Rate Schedule "ITS"	\$5,876,326	(\$462,574)	(\$141,708)	\$240,392	(\$4,937,583)	(\$5,301,473)	\$574,853
22	Subtotal Revenue	\$63,288,146	(\$370,519)	\$2,867,864	\$2,419,813	(\$9,815,920)	(\$4,898,762)	\$58,389,384
23	Off System Sales Revenue	\$14,807,209	\$40,048	\$0	\$0	(\$14,847,257)	(\$14,807,209)	\$0
24	Other Revenue	(\$448,392)	\$0	\$454,830	\$0	\$0	\$454,830	\$6,438
25	Total Operating Revenue	\$77,646,963	(\$330,471)	\$3,322,694	\$2,419,813	(\$24,663,177)	(\$19,251,141)	\$58,395,822

**Schedule No. 3-A-2**  
**SUMMARY OF ADJUSTMENTS TO TEST YEAR SALES (MCF)**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part V, Paragraph B.6**

Line No.	Firm Rate Classes	Test Year Ended December 31, 2006	Test Year Adjustments	Temperature Normalization	Customer Growth	Other Adjustments and Annualizations	Sub-total	Test Period Ending March 31, 2007
1	Rate Schedule "RS"	1,684,567	0	118,325	98,181	0	216,506	1,901,073
2	Rate Schedule "GS"	199,647	10	15,342	9,505	1,705	26,562	226,209
3	Rate Schedule "MVS"	188,544	0	13,125	(2,747)	21,107	31,485	220,029
4	Rate Schedule "LVS"	629,016	0	22,081	(19,031)	78,792	81,842	710,858
5	Rate Schedule "HLFS"	634,926	0	6,213	27,144	78,252	111,609	746,535
6	Rate Schedule "GCR"	0	0	0	0	0	0	0
7	Rate Schedule "GLR"	168	0	0	0	0	0	168
8	Rate Schedule "NCR"	54,352	0	2,398	0	0	2,398	56,750
9	Rate Schedule "SFS"	2,552	0	511	0	0	511	3,063
10	Rate Schedule "IS"	482,550	0	(14,251)	16,158	(179,856)	(177,949)	304,601
11	Rate Schedule "NGV"	111	0	0	0	0	0	111
12	Total	3,876,433	10	163,744	129,210	0	292,964	4,169,397



**Schedule No. 3-A-2**  
**SUMMARY OF ADJUSTMENTS TO TEST YEAR SALES (MCF)**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07**  
Witness: **J. Clausius**  
Reference: **Part V, Paragraph B.6**

Line No.	Firm Rate Classes	Test Year Ended December 31, 2006	Test Year Adjustments	Temperature Normalization	Customer Growth	Other Adjustments and Annualizations	Sub-total	Test Period Ending March 31, 2007
1	Rate Schedule "RS-1"	96,447	0	5,099	5,621	0	10,720	107,167
2	Rate Schedule "RS-2"	1,342,607	0	95,663	78,251	0	173,914	1,516,521
3	Rate Schedule "RS-3"	245,513	0	17,563	14,309	0	31,872	277,385
4	Rate Schedule "GS-1"	7,137	0	547	339	(120)	766	7,903
5	Rate Schedule "FTS-1"	0	0	0	0	120	120	120
6	Rate Schedule "GS-2"	63,746	10	4,890	2,957	(634)	7,223	70,969
7	Rate Schedule "FTS-2"	0	0	0	0	806	806	806
8	Rate Schedule "GS-3"	91,658	0	6,844	3,815	(4,091)	6,568	98,226
9	Rate Schedule "FTS-3"	0	0	0	0	4,590	4,590	4,590
10	Rate Schedule "GS-4"	300,300	0	15,529	3,482	(12,617)	6,394	306,694
11	Rate Schedule "FTS-4"	0	0	0	0	32,240	32,240	32,240
12	Rate Schedule "GS-5"	259,999	0	7,031	1,534	(18,238)	(9,673)	250,326
13	Rate Schedule "FTS-5"	0	0	0	0	71,750	71,750	71,750
14	Rate Schedule "GS-6"	241,013	0	7,207	(2,386)	34,292	39,113	280,126
15	Rate Schedule "FTS-6"	72,514	0	2,104	(920)	47,106	48,290	120,804
16	Rate Schedule "GS-7"	342,955	0	6,328	6,092	(355,375)	(342,955)	0
17	Rate Schedule "FTS-7"	275,363	0	6,792	(42)	380,027	386,777	662,140
18	Rate Schedule "NGV"	111	0	0	0	0	0	111
19	Rate Schedule "GLR"	168	0	0	0	0	0	168
20	Rate Schedule "NCR"	54,352	0	2,398	0	0	2,398	56,750
21	Rate Schedule "ITS"	482,550	0	(14,251)	16,158	(179,856)	(177,949)	304,601
22	Total	3,876,433	10	163,744	129,210	0	292,964	4,169,397

Delaware Public Service Commission

Company: Chesapeake Utilities Corporation  
Docket No.: 07-  
Witness: J. Clausius  
Reference: Part V, Paragraph B.2 and B.3

Schedule No. 3-A-3  
SALES AND REVENUE BY RATE CLASS

Description	Total	Rate "RS"		Rate "GS"	Rate "MVS"	Rate "LVS"	Rate "HLFS"	Rate "GCR"	Rate "GLR"	Rate "NCR"	Rate "SFS"	Rate "IS"	Rate "NGV"	Off System		Other
		Heating	Other											Sales Revenue	Revenue	
Actual Twelve Months Ended December 31, 2004																
Mcf Sales	4,232,636	1,664,704	29,999	230,481	218,162	779,529	582,864	27	197	78,651	4,710	643,116	196	0	0	0
Base Revenues	\$13,678,362	8,660,902	295,396	1,132,981	559,949	1,130,058	744,920	127	1,676	43,738	4,758	1,060,874	1,675	337,099	(252,053)	
GSR Revenues	\$45,348,548	15,117,521	271,227	2,084,970	1,981,136	4,600,391	4,218,716	188	1,278		38,235	4,336,434	1,275	11,716,252	937,187	
Total Revenues	\$59,026,910	\$23,778,423	\$566,623	\$3,217,951	\$2,541,085	\$5,730,449	\$4,963,636	\$315	\$2,954	\$43,738	\$42,993	\$5,397,308	\$2,950	\$12,053,351	\$685,134	

Actual Twelve Months Ended December 31, 2005

Mcf Sales	4,493,960	1,848,580	25,562	236,380	223,339	792,640	596,612	0	168	59,148	1,926	709,492	113	0	0	0
Base Revenues	\$14,654,048	9,684,617	267,522	1,170,319	576,938	1,129,367	732,475	0	1,520	33,011	2,621	1,240,321	1,139	397,626	(583,428)	
GSR Revenues	\$66,429,992	22,181,288	299,401	2,814,361	2,677,904	6,496,197	6,063,079	0	1,588	(11,679)	20,701	7,058,808	783	18,290,350	537,211	
Total Revenues	\$81,084,040	\$31,865,905	\$566,923	\$3,984,680	\$3,254,842	\$7,625,564	\$6,795,554	\$0	\$3,108	\$21,332	\$23,322	\$8,299,129	\$1,922	\$18,687,976	(\$46,217)	

Test Year - Twelve Months Ended December 31, 2006

Mcf Sales	3,876,433	1,665,058	19,509	199,647	188,544	629,016	634,926	0	168	54,352	2,552	482,550	111	0	0	0
Base Revenues	\$14,488,335	9,869,796	239,882	1,116,443	524,437	985,876	771,656	0	1,379	28,267	3,147	1,042,998	1,375	309,090	(406,011)	
GSR Revenues	\$63,158,628	\$24,425,733	\$281,792	\$2,957,377	\$2,766,064	\$6,407,589	\$6,993,575	\$0	\$2,140	\$0	\$34,094	\$4,833,328	\$1,098	\$14,498,119	(\$42,381)	
Total Revenues	\$77,646,963	\$34,295,529	\$521,674	\$4,073,820	\$3,290,501	\$7,393,565	\$7,765,231	\$0	\$3,519	\$28,267	\$37,241	\$5,876,326	\$2,473	\$14,807,209	(\$448,392)	

Test Period - Twelve Months Ended March 31, 2007

Mcf Sales	4,169,397	1,881,370	19,703	226,209	220,029	710,858	746,535	0	168	56,750	3,063	304,601	111	0	0	0
Base Revenues	\$15,373,957	10,516,506	\$239,631	\$1,209,619	\$600,973	\$1,163,460	\$913,957	0	\$1,379	\$34,983	\$3,719	\$574,853	\$1,375	\$0	\$13,502	
GSR Revenues	\$43,021,865	\$27,709,335	\$284,403	\$3,276,673	\$2,753,169	\$3,786,989	\$5,181,215	0	\$2,140	(5,397)	\$39,304	\$0	1,098	\$0	(7,064)	
Total Revenues	\$58,395,822	\$38,325,841	\$524,034	\$4,486,292	\$3,354,142	\$4,950,449	\$6,095,172	\$0	\$3,519	\$29,586	\$43,023	\$574,853	\$2,473	\$0	\$6,438	

**Schedule No. 3-B**  
**OPERATING EXPENSES**

Delaware Public Service Commission

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07**  
Witness: **M. Dewey**  
Reference: **Part V, Paragraph C.1**

Reference:	Part V, Paragraph C.1	Test Year Ended December 31, 2006	Test Period Ending March 31, 2007
Line No.	Description		
	<u>Operations and Maintenance Expenses</u>		
	<u>Operations</u>		
1	Manufactured Gas Production	\$16,754	\$25,350
2	Purchased Gas	63,158,628	43,021,865
3	Distribution Expense	921,784	1,126,691
4	Customer Accounting Expense	1,165,026	1,234,166
5	Sales Expense	278,702	274,852
6	Administrative and General Expense	3,384,161	3,919,591
7	Total Operations Expense	<u>\$68,925,055</u>	<u>\$49,602,515</u>
	<u>Maintenance</u>		
8	Manufactured Gas Production	\$17,205	\$17,216
9	Distribution Expense	475,505	527,758
10	Administrative and General Expense	17,837	24,587
11	Total Maintenance Expense	<u>\$510,547</u>	<u>\$569,561</u>
12	Total Operations and Maintenance Expense	\$69,435,602	\$50,172,075
13	Depreciation and Amortization Expense	2,599,655	2,382,025
14	Total Operating Expense	<u>\$72,035,257</u>	<u>\$52,554,100</u>

**Schedule No. 3-C**  
**PAYROLL COSTS**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **M. Dewey**  
Reference: **Part V, Paragraph C.4**

Line No.	Distribution	Test Year Ended December 31, 2006					Test Period Ending March 31, 2007				
		Payroll Costs	Pensions	Payroll Related Taxes	Other Benefits	Total Payroll Costs	Direct Payroll Costs	Pensions	Payroll Related Taxes	Other Benefits	Total Payroll Costs
1	Delaware Division Payroll	\$3,946,813	\$20,182	\$298,416	\$850,040	\$5,115,451	\$4,388,730	\$15,394	\$324,212	\$1,124,181	\$5,852,517
	Less	\$971,053	\$3,778	\$83,636	\$226,890	\$1,285,357	\$1,068,691	\$0	\$89,861	\$252,804	\$1,411,355
2	Amounts Charged to Construction										
3	Total Delaware Expense Portion (1 - 2)	\$2,975,760	\$16,404	\$214,780	\$623,150	\$3,830,094	\$3,320,039	\$15,394	\$234,352	\$871,377	\$4,441,161

**Schedule No. 3-D**  
**EXECUTIVE COMPENSATION (1)**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**

Docket No.: **07-**

Witness: **M. Dewey**

Reference: **Part V, Paragraph C.5**

Line No.	Name and Title	Delaware Division Annual Salary	Annual Incentive Bonus	Company Automobile (1)	Term Life Insurance (2)	Total Executive Compensation
1	John R. Schimkaitis, President & CEO	\$75,372	\$73,648	\$600	\$467	\$150,087
2	Vacant, Executive Vice President & COO	58,288	43,662	490	187	\$102,627
3	Michael P. McMasters, Vice President & CFO	38,475	28,692	1,090	118	\$68,375
4	Stephen C. Thompson, Vice President	75,898	37,749	320	233	\$114,200
5	Beth Cooper, Vice President & Treasurer	29,001	19,636	677	47	\$49,361
6	Total Executive Compensation	\$277,034	\$203,387	\$3,177	\$1,052	\$484,650

Notes: (1) Company Automobile based on 2006 personal use of vehicle from W-2 adjustment  
(2) Benefits - Term Life Insurance premiums paid by the Company.

**Schedule No. 3-E**  
**SALES PROMOTION AND ADVERTISING EXPENSES**

**Delaware Public Service Commission**

Company: Chesapeake Utilities Corporation  
Docket No.: 07-  
Witness: M. Dewey  
Reference: Part V, Paragraph C.9

Line No.	Account No.	Description	Test Year Ended December 31, 2006		Test Period Ending March 31, 2007	
			Description of Activity	Delaware Portion	Description of Activity	Delaware Portion
1	912	Demonstration and Selling Expense	Customer Information and Demonstrations	\$50,865	Customer Information and Demonstrations	\$51,858
2	913	Advertising Expense	Advertising	3,818	Advertising	3,818
3		Total		<u>\$54,683</u>		<u>\$55,676</u>

Schedule No. 3-F  
CONTRIBUTIONS AND LOBBYING COSTS

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **M. Dewey**  
Reference: **Part V, Paragraph C.10 and C.11**

No contributions for educational or other charitable purposes or lobbying costs are included as part of the cost of service to be recovered from the ratepayers.

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**Schedule No. 3-G**  
**SOCIAL AND SERVICE CLUB DUES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **M. Dewey**  
Reference: **Part V, Paragraph C.12**

Line No.	Department	Test Year Ended December 31, 2006	Test Period Ending March 31, 2007
1	MG107 - Director of Natural Gas Distribution	\$0	\$442
2	MG110 - Division Operations Manager	19	20
3	MG113 - Vice President of ESNG	289	289
4	MG117 - Engineering Manager	5	0
5	MG119 - Division Operations Manager	15	16
6	MG120 - Marketing Manager	463	0
7	MK103 - Marketing - Distribution	786	804
8	MK104 - Marketing - Distribution	45	45
9	SM100 - Safety Department	208	209
10	SV102 - Service Department	22	22
11	AC300 - Corporate Accounting	187	185
12	BD300 - Board of Directors	490	439
13	HR400 - Human Resources	546	573
14	IA200 - Internal Audit	37	37
15	IR300 - Investor Relations	189	166
16	MG302 - President & CEO	1,340	1,300
17	RM200 - Risk Management	114	109
18	TM300 - Treasury Management	290	261
19	Total	<u>\$5,045</u>	<u>\$4,917</u>



Schedule No. 3-H  
RATE CASE EXPENSE

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part V, Paragraph C.13**

Comparison of Projected Expenses of Current Case to Prior Rate Case

<u>Line No.</u>	<u>Item of Expense</u>	<u>Current Case Estimated</u>	<u>Prior Case Actual</u>
1	State Commission Expenses	\$175,000	\$116,197
2	Legal & Court Reporting	75,000	41,018
3	Cost of Service, Rate Design	68,500	137,526
4	Cost of Capital	30,000	29,460
5	Rate Base / O & M Expenses	30,000	53,469
6	Depreciation	39,925	0
7	Miscellaneous Estimated Expenses	10,000	10,489
8	Total	<u>\$428,425</u>	<u>\$388,159</u>

**Schedule No. 3-H-1**  
**INTERCOMPANY ACCOUNT ANALYSIS**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **M. Dewey**  
Reference: **Part V, Paragraph C.14**

Line No.	Description	Test Year: Twelve Months Ended December 31, 2006			Test Period: Twelve Months Ending March 31, 2007		
		Amount	Allocation Basis	Change in Allocation	Amount	Allocation Basis	Change in Allocation
1	Rents	\$196,058	Employee Allocation	No	\$307,333	Employee Allocation	No
2	BravePoint, Inc. Information System Services	\$36,559	Department Allocation	No	\$37,059	Department Allocation	No
3	Natural Gas Purchases	\$7,506,678	Direct	No	\$7,506,678	Direct	No
4	General & Administrative	\$767,826	MMM (Distrigas)	Yes	\$734,532	MMM (Distrigas)	No
5	Purchases of Natural Gas for Facilities	\$1,610	Invoiced Rates	No	\$1,754	Invoiced Rates	No
6	Purchases of Propane for Fork Lifts	\$103	Invoiced Rates	No	\$112	Invoiced Rates	No
7	Services for Sharp	(\$1,227)	Time Worked	No	(\$1,245)	Time Worked	No

(1) BravePoint provides general information system advisory services and specific assistance for IT projects, as needed. These Services are charged to the department requiring the services and allocated based on each department's specific allocation.

(2) The basis for allocating the overhead costs is a "Distrigas" style methodology. This methodology was put into place effective April 1, 2006. Some corporate departments are allocated directly to Chesapeake Utilities Delaware Division based on work plans or other methodologies. These costs are not considered corporate overhead and are not included on this schedule.

(3) Specific tasks were performed by Natural Gas Employees for the Sharp Propane group. A credit for the time worked is calculated and allocated to the Natural Gas companies along with other departmental expenses.

**Schedule No. 3-I**  
**OPERATING TAXES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part V, Paragraph C.15.a**

<u>Line No.</u>	<u>Description</u>	<u>Test Year Ended December 31, 2006</u>	<u>Test Period Ending March 31, 2007</u>
1	Federal Income Tax - Current	\$2,041,678	\$1,063,276
2	State Income Tax - Current	557,373	289,486
3	Deferred Federal Income Tax	(1,009,788)	12,817
4	Deferred State Income Tax	(274,922)	3,491
5	Sub-total	<u>\$1,314,341</u>	<u>\$1,369,070</u>
6	Other Federal, State and Local Taxes (Schedule 3-M)	1,133,721	1,349,426
7	Total Operating Taxes	<u><u>\$2,448,062</u></u>	<u><u>\$2,718,496</u></u>

**Schedule No. 3-J**  
**TEST PERIOD FEDERAL AND STATE INCOME TAX**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part V, Paragraph C.15.b**

Line No.	Description	Test Period Ending March 31, 2007
1	Operating Income before Income Taxes and Interest Expense	\$4,453,445
2	Less: Interest Expense for the Test Period	1,115,888
3		<u>\$3,337,557</u>
4	Permanent Differences	3,820
5	Amortization of Unfunded Deferred Income Tax Liability	26,159
	Timing Differences:	
6	Accelerated Depreciation	(411,106)
7	Unrecovered Purchased Gas Cost	719,771
8	Bad Debts	6,939
9	Capitalization of Overhead and Interest	35,740
10	Environmental Costs	12,461
11	Pension	0
12	Pension	6,565
13	Other Post-Retirement Benefits	(13,032)
14	Real Property Taxes	(53,445)
15	Self-Insurance	(344,007)
16	Rate Case Expense	0
16	Regulatory Asset	0
17	Total Timing Differences	<u>(\$40,114)</u>
18	State Taxable Income	\$3,327,422
19	State Tax at 8.7%	8.70% \$289,486
20	Federal Taxable Income	<u>\$3,037,936</u>
21	Federal Income Tax at 35%	35.00% \$1,063,276
22	Total Current Income Tax Expense ( 19 + 21 )	<u><u>\$1,352,762</u></u>

**Schedule No. 3-K**  
**TEST PERIOD DEFERRED FEDERAL AND STATE INCOME TAX**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part V, Paragraph C.15.b**

Line No.	Description	Tax Basis	Test Period Ending March 31, 2007	
			Federal	State
	Deferred Income Taxes:			
1	Accelerated Tax Depreciation			
2	Deferred State Tax	(\$411,106)		\$35,766
3	Deferred Federal Tax	(\$375,340)	\$131,369	
4	Unrecovered Purchased Gas Costs			
5	Deferred State Tax	\$719,771		(\$62,620)
6	Deferred Federal Tax	\$657,151	(\$230,003)	
7	Bad Debts			
8	Deferred State Tax	\$6,939		(\$604)
9	Deferred Federal Tax	\$6,335	(\$2,217)	
10	Capitalization of Overhead and Interest			
11	Deferred State Tax	\$35,740		(\$3,109)
12	Deferred Federal Tax	\$32,631	(\$11,421)	
13	Environmental Costs			
14	Deferred State Tax	\$12,461		(\$1,084)
15	Deferred Federal Tax	\$11,377	(\$3,982)	
16	Pension			
17	Deferred State Tax	\$0		\$0
18	Deferred Federal Tax	\$0	\$0	
19	Other Post-Retirement Benefits			
20	Deferred State Tax	\$6,565		(\$571)
21	Deferred Federal Tax	\$5,994	(\$2,098)	
22	Real Property Taxes			
23	Deferred State Tax	(\$13,032)		\$1,134
24	Deferred Federal Tax	(\$11,898)	\$4,164	
25	Self-Insurance			
26	Deferred State Tax	(\$53,445)		\$4,650
27	Deferred Federal Tax	(\$48,795)	\$17,078	
28	Rate Case Expense			
29	Deferred State Tax	(\$344,007)		\$29,929
30	Deferred Federal Tax	(\$314,078)	\$109,927	
31	Regulatory Asset			
32	Deferred State Tax	\$0		\$0
33	Deferred Federal Tax	\$0	\$0	
34	Total Deferred Income Taxes		\$12,817	\$3,491
35	Total Current Income Taxes		\$1,063,276	\$289,486
36	Total Income Taxes		\$1,076,093	\$292,977
37	Statutory Income Tax Rates		35.00%	8.70%

**Schedule No. 3-K-1**  
**STATEMENT OF INCOME TAX ACCOUNTING**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part V, Paragraph C.15.c, d, e & f**

**Statement on Deferred Tax Accounting**

Deferred income results from the fact that certain transactions affect the determination of net income for financial accounting purposes in one reporting period and the computation of taxable income and income taxes payable in different reporting periods. The items that generate deferred income taxes are listed below:

- 1) Accelerated depreciation methods are utilized for income tax reporting while straight-line depreciation is used for financial reporting purposes.
- 2) Purchase gas costs as incurred are utilized as a current deduction for income tax reporting while a deferred method is utilized for financial reporting.
- 3) Bad debts are a reduction for income tax reporting as write offs occur while an allowance is maintained for bad debts for financial reporting purposes.
- 4) The tax rules associated with the capitalization of overheads and interest on self-constructed capital projects generates additional capitalization of overheads and interest for income tax reporting which is not required for financial reporting.
- 5) Certain environmental costs are deductible for income tax reporting in the year costs are incurred.
- 6) With respect to accounting for pension expense for tax purposes, the Company deducts the amounts paid during the year, subject to certain limitations. For financial reporting purposes the Company expenses the net periodic pension costs based on actuarial calculations in accordance with FAS 87.

**Schedule No. 3-K-1**  
**STATEMENT OF INCOME TAX ACCOUNTING**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part V, Paragraph C.15.c, d, e & f**

- 7) Other post retirement benefit expenses for tax purposes are accounted for in the same manner as pension expense as explained above.
- 8) Real property taxes are deductible on a cash basis for income tax reporting while an accrual basis is utilized for financial reporting.
- 9) Self-Insurance reserve amounts are deductible on a cash basis for income tax reporting and on an accrual basis for financial reporting.

**SFAS No. 109 Accounting for Income Taxes**

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS No. 109"). The adoption of SFAS No. 109 changed the method of accounting for income taxes from the deferred method to the asset and liability approach.

The principal effect on the Company's financial statements of adopting SFAS No. 109 was the recording of deferred regulatory assets and liabilities for the estimated deficiency and excess deferred income taxes associated with depreciation.

At the point of adoption of SFAS No. 109, the Company was required to have all deferred income taxes associated with temporary differences between financial statement and tax basis of assets and liabilities recorded at current effective income tax rates. All deferred income tax account balances at December 31, 1992 were reconciled to insure that the balance for each timing difference was at current income tax rates, with the exception of accumulated depreciation.

The calculation to reconcile deferred income taxes associated with accumulated depreciation was slightly more complex because the book and tax basis had to be adjusted for Equity Allowance for Funds Used During Construction ("AFUDC") and Investment Tax Credit ("ITC") basis reduction, respectively. At the point of adoption of SFAS No. 109, the reconciliation determined that the Company's

Schedule No. 3-K-1  
STATEMENT OF INCOME TAX ACCOUNTING

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part V, Paragraph C.15.c, d, e & f**

balance for accumulated deferred income taxes associated with depreciation was unfunded by \$194,020.

SFAS No. 109 then required the Company to establish a deferred regulatory asset and deferred income tax liability associated with the revenue requirement and corresponding income tax liability to reflect the deficiency. To complicate accounting further, the deficiency (\$194,020) is actually the net of over funded deferred taxes for some years (\$329,405) and under funded deferred taxes for other years (\$135,385). The excess deferred income taxes were generated from the reduction of the income tax rates in the mid 1980's. The Company recorded the following journal entries in March 1993 to record the excess and under funded deferred tax liability:

		<u>Debit</u>	<u>Credit</u>
1932 1823	109 Reg Asset-Rev Req-Depreciation	\$546,812	
26DP 2822	Acc Def I/T-Depreciation-Long Term		\$329,405
26DP 2829	Acc Def I/T-Depreciation-Long Term 109		217,407

*To record the revenue requirement associated with unfunded income tax liability on depreciation ( $\$329,405 \times 1.66 = \$546,812$ )*

The Company has previously utilized the average rate assumption method for calculating and recording deferred income taxes associated with depreciation.

		<u>Debit</u>	<u>Credit</u>
26DP 2822	Acc Def I/T-Depreciation-Long Term	\$135,385	
26DP 2829	Acc Def I/T-Depreciation-Long Term 109	89,354	
2970 2540	109 Regulatory Liability Depreciation		\$224,739

*To record negative revenue requirement associated with excess deferred income taxes on depreciation ( $\$135,385 \times 1.66 = \$224,739$ )*



**Schedule No. 3-K-1**  
**STATEMENT OF INCOME TAX ACCOUNTING**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part V, Paragraph C.15.c, d, e & f**

Listed below are the general ledger accounts, balances and a reconciliation at December 31, 2006 related to depreciation which were established upon the implementation of SFAS No. 109:

1932 1823	109 Reg Asset-Rev Req-Depreciation	\$251,349
2970 2540	109 Regulatory Liability Depreciation	( 108,056)
	Net Revenue Requirement	\$143,293
26DP 2829	Acc Def I/T-Depreciation-Long Term 109	( 59,168)
	Deferred income tax deficiency at Dec. 31, 2006	<u>\$ 84,125</u>

In June 1996, in accordance with SFAS No. 109, the Company recorded the following journal entry to recognize the revenue requirement associated with Equity AFUDC on capital projects closed in 1995:

	<u>Debit</u>	<u>Credit</u>
1931 1823 109 Reg Asset-Equity AFUDC	\$65,885	
26AF 2829 Acc Def I/T AFUDC-Long Term 109		\$26,185
26DP 2822 Acc Def I/T-Depreciation-Long Term		39,700

The annual amortization of the deferred income tax deficiency associated with the implementation of SFAS No. 109 was \$8,412. This excluded any amortization of the deferred tax deficiency associated with the Equity AFUDC. The Company has included an increase of \$2,223 to bring the total amortization to \$10,635 annually, including the amortization of Equity AFUDC.

**Statement on Investment Tax Credit Accounting**

Investment tax credit utilized to reduce federal income taxes are deferred and generally amortized over the useful lives of the related utility plant. Chesapeake normalizes investment tax credit in accordance with Section 46 (f) (1) of the Internal Revenue Code (Option 1).

**Schedule No. 3-K-1**  
**STATEMENT OF INCOME TAX ACCOUNTING**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part V, Paragraph C.15.c, d, e & f**

**Statement on Allocation of the Consolidated Federal Income Tax**

Present Company policy provides that each company and division compute its income tax liability on a separate company (stand alone) basis. However, in the event that on the separate company basis, a company or division should incur a taxable loss or unused investment tax credit which is utilized elsewhere on the consolidated tax return, the parent reimburses the company or the division for the tax benefits realized. Earnings in equity of subsidiaries are eliminated in the consolidated return.

**Schedule No. 3-L**  
**UNAMORTIZED INVESTMENT TAX CREDIT**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Steinmetz**  
Reference: **Part V, Paragraph C.15.e**

Unamortized Balance as of December 31, 2005	\$88,745
ITC Generated during TME December 31, 2006	0
Amortization	(16,068)
Unamortized Balance as of December 31, 2006	<u>\$72,677</u>
ITC Generated January - March 2007	0
Amortization January - March 2007	(4,017)
Unamortized Balance as of March 31, 2007	<u><u>\$68,660</u></u>

**Schedule No. 3-M**  
**OTHER FEDERAL, STATE AND LOCAL TAXES**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **M. Dewey**  
Reference: **Part V, Paragraph C.15.g**

<u>Line No.</u>	<u>Description</u>	<u>Test Year Ended December 31, 2006</u>	<u>Test Period Ending March 31, 2007</u>
1	Payroll Taxes	\$214,780	\$234,352
2	Property Taxes	744,434	916,534
3	Revenue Related Taxes	149,975	175,187
4	Sub-total	<u>\$1,109,189</u>	<u>\$1,326,073</u>
	<u>Other Taxes</u>		
5	Natural Gas Vehicle	\$470	\$373
6	State Franchise	18,871	17,598
7	Other	5,191	5,382
8	Sub-total Other Taxes	<u>\$24,532</u>	<u>\$23,353</u>
9	Total Other Federal, State and Local Taxes	<u><u>\$1,133,721</u></u>	<u><u>\$1,349,426</u></u>

**Schedule No. 3-N**  
**ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **Matthew Dewey**  
Reference: **Part V, Paragraph D.1 and D.3**

The Company computes Allowance For Funds Used During Construction ("AFUDC") for capital projects that meet certain criteria. The criteria for applying AFUDC to a capital project is that the capital project costs at least fifty thousand dollars (\$50,000), and will take more than six months to complete. The component of AFUDC for borrowed funds (allowance for borrowed funds used during construction) includes the cost of short-term and long-term debt used to finance utility construction. The component of AFUDC for other funds (allowance for other funds used construction) includes the cost of common equity used to finance utility construction.

AFUDC is an accounting procedure whereby the cost of borrowed and other funds used to finance utility construction projects is capitalized as part of utility plant with a corresponding credit to income. On the income statement, allowance for borrowed funds used during construction is reported as a credit to interest expense, and allowance for other funds used during construction is reported as other income. The Company accrues AFUDC on all eligible capital projects as defined above. AFUDC is not taxable income and the depreciation of capitalized AFUDC is not a tax-deductible expense.

There was no AFUDC for the years 2002, 2003, 2004, 2005 and 2006.

**Schedule No. 3-O**  
**OTHER INCOME AND DEDUCTIONS**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **M. Dewey**  
Reference: **Part V, Paragraph E.1**

<u>Line No.</u>	<u>Description</u>	<u>Test Year Ended December 31, 2006</u>	<u>Test Period Ending March 31, 2007</u>
1	Amortization of ITC	\$16,068	\$16,068
2	Merchandise and Jobbing Net Income	(6,676)	(3,294)
3	Charitable Contribution	(37,508)	(39,708)
4	Other	19,239	40,379
5	Total Net Other Income	<u>(\$8,877)</u>	<u>\$13,444</u>

**Schedule No. 4**  
**PROPOSED FAIR RATE OF RETURN**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part VI, Paragraph A.1**

**1. Cost of Capital Summary**

<u>Type of Capital</u>	<u>Capital Structure Ratio in %</u>	<u>Cost Rate</u>	<u>Weighted Cost of Capital</u>
Long-Term Debt	38.19%	6.74%	2.57%
Common Equity	61.81%	11.50%	7.11%
Total Cost of Capital	<u>100.00%</u>		<u>9.68%</u>

**Schedule No. 4-A**  
**CAPITAL STRUCTURE AND RELATED RATIOS**

Delaware Public Service Commission

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part VI, Paragraph A.2**

Line No.	Description	At Test Year End-December 31, 2006		At Test Period End-March 31, 2007	
		Amount Outstanding	Ratios	Amount Outstanding	Ratios
	<u>Long-Term Debt:</u>				
1	Senior Notes	\$69,000,000	37.82%	\$68,000,000	37.13%
2	Convertible Debentures	1,970,000	1.08%	1,944,000	1.06%
3	Total Long-Term Debt	<u>\$70,970,000</u>	<u>38.90%</u>	<u>\$69,944,000</u>	<u>38.19%</u>
4	Consolidated Common Equity	\$111,486,102	61.10%	\$113,202,012	61.81%
5	Total Permanent Capital	<u>\$182,456,102</u>	<u>100.00%</u>	<u>\$183,146,012</u>	<u>100.00%</u>

The amounts shown above for long-term debt represent the actual December 31, 2006 and expected Test Period outstanding long-term debt of Chesapeake Utilities Corporation, excluding current portions of long-term debt. They also exclude \$80,000 of debt for an unregulated subsidiary of Chesapeake.

The consolidated common equity amount shown above was adjusted to add back the effect of Other Comprehensive Income.



**Schedule No. 4-B**  
**COMPOSITE COST RATE OF DEBT**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part VI, Paragraph B.2**

Line No.	Series or Issue Designation	Amount Outstanding Test Period Ending March 31, 2007	Percent To Total	Cost Rate	
				Schedule 4-C Effective	Weighted
1	Chesapeake Senior Note 1	\$0	0.0000%	8.6560%	0.00%
2	Chesapeake Senior Note 2	\$2,727,273	3.8992%	7.3224%	0.29%
3	Chesapeake Senior Note 3	\$4,000,000	5.7189%	6.9863%	0.40%
4	Chesapeake Senior Note 4	\$14,000,000	20.0160%	7.9136%	1.58%
5	Chesapeake Senior Note 5	\$27,272,727	38.9922%	6.7080%	2.62%
6	Chesapeake Senior Note 6	\$20,000,000	28.5943%	5.5560%	1.59%
7	Convertible Debentures	\$1,944,000	2.7794%	9.5263%	0.26%
8	Total	<u>\$69,944,000</u>	<u>100.0000%</u>		<u>6.74%</u>

The amounts shown above represent the expected Test Period outstanding long-term debt of Chesapeake Utilities Corporation, excluding current portions of long-term debt. They also exclude \$80,000 of debt for an unregulated subsidiary of Chesapeake.

Schedule No. 4-B-1  
COMPOSITE COST RATE OF DEBT

Delaware Public Service Commission

Company: Chesapeake Utilities Corporation  
Docket No.: 07-  
Witness: J. Clausius  
Reference: Part VI, Paragraph B.2

Line No.	Series or Issue Designation	Amount Outstanding at December 31, 2006	Principal Payments through March 31, 2007	Amount Outstanding at March 31, 2007
1	Chesapeake Senior Note 1	\$1,000,000	\$1,000,000	\$0
2	Chesapeake Senior Note 2	2,727,273	0	\$2,727,273
3	Chesapeake Senior Note 3	4,000,000	0	\$4,000,000
4	Chesapeake Senior Note 4	14,000,000	0	\$14,000,000
5	Chesapeake Senior Note 5	27,272,727	0	\$27,272,727
6	Chesapeake Senior Note 6	20,000,000	0	\$20,000,000
7	Convertible Debentures	1,970,000	26,000	\$1,944,000
8	Total	<u>\$70,970,000</u>	<u>\$1,026,000</u>	<u>\$69,944,000</u>

The amounts shown above represent the actual December 31, 2006 and expected Test Period outstanding long-term debt of Chesapeake Utilities Corporation, excluding current portions of long-term debt. They also exclude \$80,000 of debt for an unregulated subsidiary of Chesapeake.

Schedule No. 4-C  
**CALCULATION OF THE EFFECTIVE COST RATE FOR LONG-TERM DEBT**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part VI, Paragraph B.2**

Line No.	Series	Stated Interest or Coupon Rate	Nominal Date of Issuance	Date of Maturity	Average Term in Years	Original Amount Issued	Premium or (Discount) at Issuance	Company Issuance Expenses	Net Proceeds	Net Proceeds Ratio	Effective Cost Rate
1	Chesapeake Senior Note 1	7.97%	15-Jan-1993	1-Feb-2008	10.5	\$10,000,000	\$0	\$451,547	\$9,548,453	95.485%	8.6560%
2	Chesapeake Senior Note 2	6.91%	1-Oct-1995	1-Oct-2010	10.0	\$10,000,000	\$0	\$278,379	\$9,721,621	97.216%	7.3224%
3	Chesapeake Senior Note 3	6.85%	15-Dec-1997	1-Jan-2012	10.5	\$10,000,000	\$0	\$97,686	\$9,902,314	99.023%	6.9863%
4	Chesapeake Senior Note 4	7.83%	29-Dec-2000	1-Jan-2015	10.5	\$20,000,000	\$0	\$114,044	\$19,885,956	99.430%	7.9136%
5	Chesapeake Senior Note 5	6.64%	31-Oct-2002	31-Oct-2017	10.0	\$30,000,000	\$0	\$141,831	\$29,858,169	99.527%	6.7080%
6	Chesapeake Senior Note 6	5.50%	12-Oct-2006	12-Oct-2020	9.5	\$20,000,000	\$0	\$79,566	\$19,920,434	99.602%	5.5560%
7	Convertible Debentures	8.25%	15-Feb-1989	1-Mar-2014	n/a	\$5,000,000	\$0	\$471,322	\$4,528,678	90.574%	9.5263%

**Schedule No. 4-F**  
**PUBLIC OFFERINGS OF COMMON STOCK**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part VI, Paragraph D.1**

Line No.	Item	Public Offering	Public Offering	Dividend Reinvestment Program (3)
1	Date of Prospectus	11/15/06	11/15/06	01/18/05
2	Subscription Offering Ratio (2)	n/a	n/a	n/a
3	Number of Shares Offered	90,045	600,300	750,000
4	Number of Shares Issued	90,045	600,300	73,851 (3)
5	Offering Price	\$30.10	\$30.10	(3)
6	Underwriting Discount	\$1.125	\$1.125	(3)
7	Gross Proceeds to Company	\$2,710,355	\$18,069,030	(3)
8	Estimated Company Expenses	\$0 (1)	\$900,338	\$40,576
9	Earnings Per Share (Actual Reported) for 12 Months Ended September 30, 2006	\$1.81	\$1.81	(3)
10	Net Proceeds Per Share	\$28.975	\$28.60	(3)
11	Latest Annualized Reported Dividend at Time of Offering	\$1.16	\$1.16	(3)
12	Book Value Per Share as of September 30, 2006	\$14.81	\$14.81	(3)
13	Earnings/Net Proceeds Ratio	6.25%	6.33%	(3)
14	Net Proceeds/ Book Ratio	1.96	1.93	(3)
15	Dividend Yield on Offering Price	3.85%	3.85%	(3)
16	Pro Forma Permanent Capital (After New Financing)	\$185,106,149	\$182,497,095	(3)

(1) All expenses were included in the base offering.

(2) Applies to rights offerings, none of the above are rights offerings.

(3) Chesapeake Utilities Corporation has a Dividend Reinvestment and Direct Stock Purchase Plan that permits Plan participants to elect to invest all or a portion of the dividends on their shares of Chesapeake common stock, when paid, in additional shares of Chesapeake common stock. Additionally, Plan participants, other registered stockholders and new investors are permitted to purchase shares of Chesapeake common stock in a convenient manner without incurring broker fees. The current Plan, dated January 18, 2005, amends and replaces the Plan as originally adopted effective on April 27, 1989. The number of shares issued as shown above represent shares issued through December 31, 2006. The pricing of the shares will change with the market value of the stock. There is no underwriting discount associated with the Plan. The proceeds to the Company will vary with the market value of the stock. The number of shares issued on a monthly basis for the reinvestment of dividends and optional cash payments are determined using the average high and low prices on the fifth day of each month, or the next business day if the fifth is a holiday or occurs on the weekend.

**Schedule No. 4-F-1**  
**SUMMARY STATEMENT OF COMMON EQUITY CHANGE**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part VI, Paragraph D.2**

There have been no stock dividends, splits, or par value changes since the last rate case filing in 2001.

**Schedule No. 4-G**  
**COMPARATIVE FINANCIAL DATA - GENERAL**

Delaware Public Service Commission

Company: Chesapeake Utilities Corporation  
Docket No.: 07-  
Witness: J. Clausius  
Reference: Part VI, Paragraph D.3

Line No.	Item	2005 Next Most Recent Calendar Year	2006 Most Recent Calendar Year	Test Year Ended December 31, 2006
1	Embedded Cost - Long-Term Debt	7.26%	6.69%	6.69%
2	Embedded Cost - Preferred Stock	n/a	n/a	n/a
3	Pretax Interest Coverage	4.27	4.00	4.00
4	Pretax Interest Coverage, Before AFUDC	4.16	3.63	3.63
5	After Tax Interest Coverage	3.04	2.82	2.82
6	After Tax Interest Coverage, Before AFUDC	2.96	2.56	2.56
7	Indenture Provision Coverage 1/	3.79	3.64	3.64
8	After Tax Interest & Pfd. Div. Coverage	3.04	2.82	2.82
9	After Tax Interest & Pfd. Div. Coverage, Before AFUDC	2.96	2.56	2.56
10	Moody's Bond Rating - Senior Debt	not rated	not rated	not rated
11	S & P Bond Rating - Senior Debt	not rated	not rated	not rated
12	Moody's Preferred Stock Rating	n/a	n/a	n/a
13	S & P Preferred Stock Rating	n/a	n/a	n/a
14	Rate of Return on Net Plant in Service	5.19%	4.36%	4.36%
15	Rate of Return on Total Capital	12.35%	9.45%	9.45%
16	Percentage of Revenues from Gas Service 2/ Percentage of Revenues from Other 2/	99.98% 0.02%	99.98% 0.02%	99.98% 0.02%
17	Composite Depreciation Rates	3.77%	3.50%	3.50%

1/ Indentures to the long-term debt of the Company contain various restrictions. The most stringent restrictions state that the Company must maintain an equity to total capitalization ratio of at least 40% and the pro-forma fixed charge coverage ratio must be 1.5 times. The Company is in compliance with all of its debt covenants.

2/ This represents the percentage of revenues from gas service for the Delaware Division only.

**Schedule No. 4-H**  
**COMPARATIVE FINANCIAL DATA - COMMON STOCK (1)**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part VI, Paragraph D.3**

Line No.	Item	2005 Next Most Recent Calendar Year	2006 Most Recent Calendar Year	Test Year Ended December 31, 2006
1	Shares Outstanding Year End	5,883,099	6,688,084	6,688,084
2	Shares Outstanding - Weighted Average	5,836,463	6,032,462	6,032,462
3	Basic Earnings Per Share - on Weighted Average	\$1.79	\$1.74	\$1.74
4	Dividends Paid Per Share	\$1.130	\$1.150	\$1.150
5	Dividends Declared Per Share	\$1.135	\$1.155	\$1.155
6	Dividend Payout Ratio (Declared Basis) ( 5 / 3 )	63.41%	66.38%	66.38%
7	Market Price - Average of Quarterly Averages of High and Low Prices	\$29.90	\$30.89	\$30.89
8	Book Value Per Share - Year End	\$14.41	\$16.62	\$16.62
9	Average Book Value (Beginning & End of Yr.)	13.94	16.24	16.24
10	Earnings to Price Ratio ( 7 / 3 )	16.70	17.75	17.75
11	Market to Book Ratio ( 7 / 9 )	2.14	1.90	1.90
12	Dividend Yield ( 5 / 7 )	3.80%	3.74%	3.74%
13	Rate of Return on Average Book Common Equity ( 3 / 9 )	12.84%	10.72%	10.72%
14	AFUDC as % Earnings for Common	1.30%	5.57%	5.57%
15	Effective Income Tax Rate (Federal & State)	40.655% (2)	40.655% (2)	40.655% (2)

(1) The information provided in lines 1 through 14 is for Chesapeake Utilities Corporation consolidated results. The Delaware Division does not have its own stockholders.

(2) Represents Delaware Division's Effective Income Tax Rate.

**Schedule No. 5**  
**COMPUTATION OF GROSS REVENUE CONVERSION FACTOR**

**Delaware Public Service Commission**

Company: **Chesapeake Utilities Corporation**  
Docket No.: **07-**  
Witness: **J. Clausius**  
Reference: **Part VII, Paragraph A**

Line No.	Item	% Incremental Gross Revenues	
		Actual	
1	Gross Operating Revenue		100.00
2	Adjustment for Uncollectibles	0.2625%	0.26250
3	Adjusted Operating Revenue		99.73750
4	Less: P.S.C. Assessment	0.3000%	0.30000
5	Income Before State Income Tax		99.43750
6	State Income Tax	8.70%	8.65106
7	Income Before Federal Income Tax		90.78644
8	Federal Income Tax	35.00%	31.77525
9	Income After Federal Income Tax		59.01118
10	Operating Income		59.01118
11	Gross Revenue Conversion Factor (100% divided by Operating Income Percentage)		1.69459